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Central Intelligence Agency



Washington, D. C. 20505

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## DIRECTORATE OF INTELLIGENCE

9 October 1985

ARGENTINA: ELECTION PREVIEW [REDACTED]

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Summary

The November congressional election in Argentina will have considerable impact on the nation's political and economic stability. We expect President Alfonsin's Radical Party to retain its majority in the lower house of congress and improve its position in the senate. The Radicals' high standing in the polls stems, in our view, largely from the public's confidence in the bold economic austerity package that Alfonsin introduced last June. It also reflects the dynamism and cohesion of the ruling party--especially in contrast to the infighting and disarray prevalent in the opposition Peronist movement. As Peronism loses its vitality the leftist Intransigent Party is gaining importance. [REDACTED]

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A Radical victory, in our view, would enhance Alfonsin's overall political standing and probably spur the President to persist with his economic reforms, at least in the short run. We are virtually certain, however, that a setback at the polls would boost the influence of Presidential advisers who want to sacrifice austerity for job creation and pursue radical approaches to the repayment of the foreign debt. A landslide Radical triumph that crushed Peronism would pose different problems. The Intransigent Party might then become the main opposition to Alfonsin, giving leftist forces substantial influence should the government incur serious political or economic difficulties. [REDACTED]

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This memorandum was prepared by [REDACTED] South America Division, Office of African and Latin American Analysis, and was coordinated with the Directorate of Operations. Information as of 7 October 1985 was used in the preparation of this paper. Questions and comments may be directed to the Chief, South America Division, ALA, on [REDACTED]

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## Introduction

On 3 November Argentina will hold its first elections since President Alfonsin took office in 1983. Half of the seats in the lower house of the national congress and many in the provincial legislatures--which choose the national senators--will be contested. The vote, in our view, will largely be a referendum on President Alfonsin's popularity and on the economic austerity program he implemented in June. The ruling Radical party hopes to retain its absolute majority in the lower house of congress and do well enough on the provincial level to eventually acquire working control of the senate. Most importantly, the elections will help determine whether Alfonsin feels he has the political strength to press ahead with his bold economic reform package or begins to heed interest group pressure to dilute the program. [ ]

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## Alfonsin's Radicals: Flying High

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During the first half of this year most knowledgeable observers were predicting an electoral drubbing for Alfonsin's centrist Radical Civic Union (UCR) in November. The President appeared to have no plan to battle an inflation rate of over 1000 percent, the military was openly grumbling over the trials of top Generals for human rights abuses, and political pressure from the opposition Peronist labor movement mounted daily. Polls showed that Argentines intended to cast protest votes for small parties of the right and the left and that the Radicals would be lucky to conserve the support of two-thirds of the 52 percent of voters who backed the UCR in 1983. [ ]

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This picture changed dramatically in June, when Alfonsin turned to "shock treatment"--including wage and price controls, efforts to cut the budget deficit and restrict monetary expansion, and a new currency--to cure inflation. Notwithstanding its recessive impact, the adjustment program was highly popular with the public, which, according to the U.S. Embassy, felt that the President's firm leadership had saved Argentina from economic chaos. Nearly four fifths of the populace supported the measures when they were announced and relative price stability--inflation for September was only 2 percent--has kept approval ratings in the 60 percent range since. This positive attitude toward the government and Alfonsin has directly benefited the UCR. The President has campaigned extensively for Radical candidates and, in our view, has successfully linked his personal popularity to his party's electoral fortunes. The latest polls show the Radicals with a two to one lead over their closest rivals, the Peronists. [ ]

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Several other government initiatives have bolstered the political standing of both Alfonsin and the UCR.

- The Beagle Channel treaty with Chile, which was overwhelmingly approved by a referendum last year, gave the regime a clear-cut foreign policy success that at least partially offset the lack of progress in resolving the Falklands dispute with Great Britain.

- The trials of the former junta members, after some initial military protests, have proceeded smoothly. The prosecutions have underscored Alfonsin's determination to consolidate democracy in Argentina, a goal, according to polling data, that is widely shared by the general public.
- The government's simultaneous trials of leftist terrorists have enhanced its reputation for evenhandedness and made clear that the military trials are not just a vendetta against the armed forces.

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The UCR, however, has not entirely rested on Alfonsin's laurels. The party itself has numerous positive qualities--especially when compared to the chaotic infighting that plagues Peronism. Radicalism, in our view, is the best organized and most dynamic political force in Argentina. It has an infrastructure in every province and an energetic youth sector that has been effectively mobilized during the campaign. While Alfonsin's leadership of the UCR is virtually unquestioned, the party has not stifled internal dissent. A relatively wide range of opinion, from the center-right to the moderate left, now finds a home within Radicalism, thereby helping the party expand beyond its traditional middle-class constituency. Polls show that today about 20 percent of Radical voters are blue-collar workers, a slightly higher proportion are upper-middle class, and that UCR support is divided almost equally among individuals with primary, secondary and college educations.

#### Peronism in Eclipse

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Peronism has been adrift since the death of its founder, General Juan Peron, in 1974. No charismatic leader has emerged capable of directing the disparate populist/nationalist movement, and the resulting leadership vacuum, in our view, has allowed a coterie of discredited political and labor bosses to seize control of the party. At a "unity" congress in July, two of the most controversial figures in Peronism--Vicente Saadi, a leftist with widely reported links to Montonero terrorists and the ultra-rightwing Herminio Iglesias--temporarily defeated moderate leaders seeking to reform and democratize the party. Saadi and Iglesias, along with trade union leader Saul Ubaldini, have launched a vituperative campaign against the government's "pitiless" austerity program and the "usury" of the IMF and the international banks. The electorate, however, appears unconvinced that the Peronists possess a viable alternative to Alfonsin's austerity package. Polls show that only about one fifth of voters--down from 40 percent in 1983--intend to cast a Peronist ballot in November.

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Part of this poor showing stems, in our view, from the intense infighting that continues to afflict the party and demolish the fragile unity achieved at the July congress. In August, Peronist moderates ousted party First Vice President Saadi from his post as leader of the Peronist bloc in the senate, and in the Federal District of Buenos Aires a young reformist leader bested the official Peronist slate in internal party elections. The most potentially divisive conflict has occurred in populous Buenos Aires Province, a Peronist bastion long dominated by party Secretary General Iglesias. Reformist party members in the province have spurned Iglesias and are running an "independent" Peronist ticket in the elections.

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We believe that a more fundamental cause of Peronist decline is the party's decaying demographic base. Once a broad-based movement whose working class core was

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complemented by significant support from the middle-class and the intelligentsia, Peronism has become, [ ] a party of the "old, the uneducated, and the poor." Polls show that Peronism is backed almost exclusively by urban industrial workers and peasants from the underdeveloped interior provinces--dwindling segments of the electorate. And in a country with perhaps the highest literacy and education rates in Latin America, one study reveals that only 2 percent of university educated voters identify with Peronism. The US Embassy reports that Peronist reformers are aware of these problems and expect that defeat in November will finally discredit the party's old guard. Although these moderates believe they will then be able to take over the movement and rebuild it on firmer foundations, any such reconstruction will, in our view, be a long, arduous, and uncertain process. [ ]

### Ferment on the Left

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Peronism's monopoly of working-class support has, according to several academic studies, precluded the emergence of a strong socialist or Marxist current in Argentine politics. The movement's disarray in recent years, however, has given new impetus to the Argentine left, which hopes to lure disgruntled Peronists into its ranks. Although polls show that leftists are beginning to make such gains, they must overcome several obstacles before becoming a major political force.

- The workers' enduring allegiance to the Peronist labor movement remains an effective barrier to leftist influence. The trade unions, unlike the party, are well organized and fairly effective. Until leftists achieve prominence within organized labor, Peronist unions will, in our view, continue to deliver a large part of the worker vote to the Peronist party.
- The left is plagued by factionalism, byzantine ideological disputes, and personal quarrels. A welter of social democratic, socialist, communist, nationalist-leftist, and Trotskyite parties are competing against one another in the run up to the November elections, thus splintering the already small leftist vote.

Despite these difficulties, one leftist group--the Intransigent Party (PI)--has made impressive progress during the past two years. The PI has traditionally espoused an ill-defined mix of nationalism and populism. Originally an off-shoot of the UCR, many members--including, in our view, party founder Oscar Alende--are middle-class socialists only dimly aware of the radical implications of their rhetoric. The US Embassy and the press report, however, that since 1983 the PI has attracted numerous hard-core Marxists who have helped party radicals defeat moderates in recent internal elections. The PI has moved so far left that, according to one press report, a delegation of Spanish Communists visited Argentina last year to study it as an example of "Euro-Communism." Moreover, there is considerable evidence that members of the Marxist, terrorist, Revolutionary People's Army (ERP) have infiltrated the PI recently and now hold top posts within the party. [ ]

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[ ] claims that Alende visited Havana in July and received \$300,000 from Castro, who was reportedly pleased with the radicals' growing stature within the PI. [ ]

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Polls give the PI from 10 to 15 percent of the vote in greater Buenos Aires--which comprises over a third of the nation's electorate--but only minimal support in the interior provinces. We expect that its nationwide total will far exceed the 2.4 percent polled by Alende in the 1983 Presidential race. The PI is aided by an active, youthful membership, and its aggressive campaign to repudiate the foreign debt and reactivate the economy is being well-received by left-leaning working and middle-class voters alienated by Peronist infighting. Although the PI will probably control no more than 20 seats in the next legislature, this presence will enhance the party's legitimacy and give it a platform from which to propagate its radical quasi-Marxist ideology. [REDACTED]

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### The Right in Disarray

Prior to mid-June of this year, the right expected to make significant gains in the November elections. The chief conservative party, Alvaro Alsogaray's Union of the Democratic Center (UCD), was attracting a middle-class following by prescribing free-market economics and rigorous austerity to combat runaway inflation. Alsogaray's apparent willingness to take drastic economic measures helped compensate for his party's scant support outside greater Buenos Aires and his own association with numerous military governments since 1955. The prospect of a strong showing also instilled a spirit of cooperation among the traditionally fractious right, which saw the contest as a chance to recover from its 1983 debacle, when conservative parties polled under 5 percent of the vote. [REDACTED]

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Alfonsin's economic adjustment program, in our view, effectively dashed these hopes. By seizing the banner of responsible economic management from the right, the President deprived the UCD and other conservative parties of their main electoral appeal. Although Alsogaray and other conservatives have quibbled with many aspects of the program, they have not offered a substantially different alternative. The UCD's standing in the polls has dropped in recent months and Argentina's conservatives have reverted to their customary disunity. Although the right will probably improve on its 1983 tally, we doubt that it will emerge as a major civilian political force over the next year. [REDACTED]

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### Outlook for Economic and Political Stability.

We expect the UCR to preserve its majority in the lower house of congress and make substantial gains in the provincial legislatures. This would assure Radical control of the lower house through 1987 and allow the UCR to eventually improve its position in the senate. Alfonsin would almost certainly interpret such a result as a vote of confidence for his economic policies. The President would then be more likely to tackle some of the vexing economic problems--the large budget deficit, inefficient public-sector companies, an antiquated industrial plant--that must be resolved if his program is to succeed in the long run. Although a Radical victory in November would by no means guarantee a vigorous assault on Argentina's economic ills, a severe electoral setback for the UCR would almost certainly jeopardize the progress made so far. Such a surprise defeat would boost the influence on Alfonsin of advisers who want to sacrifice austerity for job creation and pursue radical approaches to the repayment of Argentina's foreign debt. If implemented, these

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policies would probably reignite inflation, spur foreign creditors to withdraw new loans, and cause Buenos Aires' IMF agreement to unravel. \_\_\_\_\_

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The impact of the November elections on Argentina's political evolution will be more complex. We do not believe, for example, that a landslide UCR victory that leaves Peronism in shambles and converts the PI into the government's chief opposition would enhance overall political stability. This scenario would strengthen Alfonsin in the short term while precluding the emergence of a revitalized Peronist party as a moderate democratic alternative to the UCR. The PI and the increasingly militant labor movement would then probably become rallying points for opposition to the government, giving ultra-leftist forces considerable influence should Alfonsin incur serious political or economic difficulties. \_\_\_\_\_

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A less crushing Peronist defeat would, in our view, be more conducive to long-range political stability. This would be particularly true if Argentine voters castigate the party's discredited official candidates and reward the various "reformist" or "independent" Peronist slates. The moderate and democratic forces within Peronism might then be able to pick up the pieces of the shattered party, do a thorough housecleaning, and transform it into a working and middle-class oriented social democratic movement. Such a development would probably take years and would not immediately threaten the UCR's and Alfonsin's dominance of Argentine politics. But it could lay the foundation for an alternation of power between two democratic parties and minimize the influence of three of Argentina's traditional sources of political instability--the radical left, organized labor, and the military. \_\_\_\_\_

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ALA/SAD/E, [REDACTED] (9 October 1985)